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T.R.A. DOCKET ROOM

November 22, 2005

Ron Jones, Chairman
Tennessee Regulatory Authority
460 James Robertson Pkwy
Nashville, TN 37219


Re: *Application of ESG Pipeline (JC), LLC for a Certificate of Convenience
and Necessity to Operate a Processed Methane Gas Distribution System in
Johnson City, TN.*
Docket Number: 05-00244

Dear Chairman Jones:

Enclosed is the pre-filed testimony of Mr. James L. Adams, president of Energy Systems Group, LLC, in the above-captioned proceeding.

Very truly yours,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: 
Henry Walker

HW/djc

cc: Mr. Dennis Bollinger
Mr. Hal Novak

1 **Q. Would you state your name, business address and occupation for the record,**
2 **please?**

3 A. My name is James L. Adams. I am President of Energy Systems Group, LLC
4 ("ESG"). My business address is 4655 Rosebud Lane, Newburgh, Indiana 47630.

5 **Q. Please provide a summary of your background and professional experience.**

6 A. I have over twenty-five years of experience in energy systems analysis,
7 construction and financial management. In addition, I provide the day-to-day
8 leadership, strategic direction and management for all aspects of ESG.

9 **Q. Please describe ESG.**

10 A. ESG is non-regulated subsidiary of the Vectren Corporation (NYSE Symbol:
11 VVC). ESG currently has 143 employees with offices in the Midwest and
12 Southeast United States. ESG is a certified Utility Energy Services Contractor pre-
13 qualified as an Energy Services Contract Provider with the U.S. Department of
14 Energy, and an approved contractor for energy related projects under the GSA
15 federal supply schedule. Our company has delivered over \$600 million in projects
16 and operates three energy centers that are located on federal facilities.

17 **Q. What is the purpose of your testimony in this proceeding?**

18 A. The purpose of my testimony is to present information to the TRA on the
19 managerial, financial, and technical capabilities of ESG Pipeline (JC), LLC
20 ("ESG-JC"). In addition, I am responsible for the information previously
21 submitted by ESG-JC in response to the TRA Staff's data request.

22 **Q. Please describe the service territory that ESG-JC proposes to serve.**

23 A. On April 7, 2005, ESG Biofuels (JC), LLC entered into a contract with the City of
24 Johnson City to purchase the methane gas from the Iris Glen Landfill located at
25 1705 East Main Street in Johnson City, Tennessee. Under current market
26 conditions, the City of Johnson City will receive royalty payments from this
27 contract in excess of \$1 million annually. It is the intent of ESG-JC, upon

1 approval by the TRA, to build a distribution system that will carry processed
2 methane from the Iris Glen Landfill to as many as four industrial customers.

3 **Q. Does a need presently exist for a processed methane distribution system in**
4 **the Johnson City area?**

5 A. Yes. ESG-JC has already signed a contract with one industrial customer to
6 deliver processed methane to their plant. A processed methane distribution
7 pipeline will provide this industrial customer and others within close proximity to
8 the Iris Glen Landfill with an economically priced alternative fuel that is both
9 affordable and environmentally friendly.

10 **Q. Does ESG-JC possess the managerial capabilities to operate a processed**
11 **methane distribution utility?**

12 A. Yes. The officers of ESG-JC and its affiliates have broad experience working
13 with natural gas and processed methane systems. ESG-JC's parent, Vectren
14 Corporation, is a regulated gas and electric utility serving approximately 980,000
15 natural gas customers in Indiana and west central Ohio. In addition, ESG-JC has
16 engaged various legal, accounting and regulatory experts to advise and assist us
17 with the managerial responsibilities of operating a processed methane distribution
18 pipeline in Tennessee.

19 **Q. Does ESG-JC possess the financial capabilities to operate a processed**
20 **methane distribution utility?**

21 A. Yes. The audited financial statements that were provided along with our
22 application show that Energy Systems Group controlled over \$27 million in assets
23 at December 31, 2004. In addition, either Energy Systems Group or its affiliates
24 plan to internally fund all of the cost of constructing this processed methane
25 distribution system with no outside borrowing.

26 **Q. Does ESG-JC possess the technical capabilities to operate a processed**
27 **methane distribution utility?**

1 A. Yes. The proposed pipeline will be constructed by Miller Pipeline Corporation,
2 an affiliate of ESG-JC. Miller Pipeline Corporation is one of the nation's premier
3 contractors, providing a comprehensive range of pipeline contracting and
4 rehabilitation services for gas pipelines. In addition, Mountain Home Energy
5 Center, LLC will provide 24/7 pipeline operational support for ESG-JC. The
6 Mountain Home Energy Center is located on the campus of the James H. Quillen
7 VA Medical Center in Johnson City. This facility was designed, built and
8 operated by another ESG-JC affiliate. The Mountain Home Energy Center
9 produces steam, chilled water and electricity which are used to supply the VA
10 Medical Center and the East Tennessee State University campus.
11 Additional technical support will come from Diversified Energy Services, Inc.
12 ("DESI") of Toccoa, Georgia. DESI has and will provide a variety of services
13 including regulatory compliance assistance, engineering design, operator
14 qualification and pipeline integrity management. DESI currently provides
15 services to municipalities, local gas distribution companies, master meter
16 operators, contracts and natural gas power plants.

17 **Q. Has ESG-JC submitted proposed tariffs along with its application?**

18 A. No. In lieu of a tariff, ESG-JC has negotiated a special contract with the initial
19 industrial customer. As processed methane gas becomes available in greater
20 quantities, ESG-JC intends to serve additional industrial customers in the Johnson
21 City service area. It is ESG-JC's intent to execute special contracts with each of
22 these customers in order to meet their particular needs. As these special contracts
23 are executed, ESG-JC will submit them to the TRA for approval prior to
24 providing service.

25 **Q. Is ESG-JC aware of the TRA's pipeline safety requirements?**

26 A. Yes. ESG-JC will adhere to all of the TRA's safety requirements.

27 **Q. Does this conclude your testimony?**

1 A. Yes, it does.

VERIFICATION

STATE OF TENNESSEE)

COUNTY OF DAVIDSON)

I, James L. Adams, being duly sworn state that I am authorized to make this verification on behalf of ESG Pipeline (JC), LLC; that I have read the foregoing testimony and know the content thereof; that the same are true and correct to the best of my knowledge, information and belief.

John M. [Signature]

Sworn and subscribed before me this 21st day of November, 2005.

Victor R. Menzies
Notary Public

My Commission Expires: 10/25/09